



INDEPENDENT LUBRICANT MANUFACTURERS ASSOCIATION

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June 9, 2009

Environmental Protection Agency
EPA Docket Center (EPA/DC)
Mail Code 6102T
Docket ID No. EPA-HQ-OAR-2008-0508
1200 Pennsylvania Avenue
Washington, DC 20460

RE: Docket ID No. EPA-HQ-OAR-2008-0508
Notice of Proposed Rulemaking for Greenhouse Gas Reporting

Dear Sir or Madame:

The Independent Lubricant Manufacturers Association (“ILMA”) submits the following comments on the Environmental Protection Agency’s (“EPA”) Notice of Proposed Rulemaking (“NPRM”) regarding 40 CFR Parts 86, 87, 89, et seq. – the Mandatory Reporting of Greenhouse Gases. 74 Fed. Reg. 16448 (April 10, 2009).

Introduction of ILMA

ILMA, established in 1948, is a national trade association of 299 member companies. As a group, ILMA’s manufacturing member companies blend, compound and sell over 25 percent of the United States’ lubricant needs and over 75 percent of the metalworking fluids (“MWFs”) utilized in the country.

Independent lubricant manufacturers by definition are neither owned nor controlled by companies that explore for or refine crude oil to produce lubricant base stocks. Base oils are purchased from refiners, who are also competitors in the sale of finished products. Independent lubricant manufacturers succeed by manufacturing and marketing high-quality, often specialized, lubricants. Their success in this competitive market also is directly attributable to their tradition of providing excellent, individualized service to their customers.

EPA’ s Request for Comment

As we understand it, the proposed rule would require businesses with facilities that include certain source categories (*e.g.*, Oil and Natural Gas Systems or Petrochemical Production), as well as any business with facilities that have annual emissions equal to or greater than 25,000 metric tons of carbon dioxide equivalent (mtCO₂e) to submit annual reports to EPA regarding their greenhouse gas emissions.

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Most ILMA member companies are small businesses. While many of them maintain stationary fuel combustion sources (particularly process heaters), the typical capacity of these sources is nowhere close to approaching the proposed 25,000 mtCO₂e reporting “trigger.” ILMA recently queried its membership using the heuristic estimation supplied by EPA -- whether the aggregate maximum rated heat input capacity of their stationary fuel combustion sources exceeded 30 million British thermal units per hour. We learned that the energy generation capacities at most ILMA members’ facilities are on a completely different scale than is contemplated by the proposed rule. At least with respect to the independent lubricant manufacturing industry, EPA’s intent to minimize the impact of the greenhouse gas (“GHG”) reporting rule on small business appears to be realized.

Of the source categories identified in the proposed rule, two piqued ILMA’s interest: (1) Petroleum Refining, and (2) Petroleum Product Suppliers. As to Petroleum Refining, independent lubricant manufacturers do not, by definition, refine petroleum to create lubricant base oils.

The Petroleum Product Suppliers source category required somewhat more analysis to determine its applicability to ILMA’s manufacturing members. The source category consists of petroleum refineries, as well as importers and exporters of petroleum products. While ILMA manufacturing members do not, by definition, refine petroleum, a fair number either export or import finished lubricants.

Further, the proposed regulations define “lubricants” to “includes all grades of lubricating oils, from spindle oil to cylinder oil to those used in greases. Petroleum lubricants may be produced from distillates or residue.” 74 Fed. Reg. 16448 at 16623 (April 10, 2009). ILMA members certainly manufacture and take to market lubricants as defined in the proposed rule.

However, in addition to defining “lubricants,” the proposed rule also defines “petroleum products” as follows:

Petroleum product means all refined and semi-refined products that are produced at a refinery by processing crude oil and other petroleum-based feedstocks, including petroleum products derived from co-processing biomass and petroleum feedstocks together. Petroleum products may be combusted for energy use, or they may be used either for non-energy processes or as non-energy products. *The definition of petroleum product for importers and exporters excludes asphalt and road oil, lubricants, waxes, plastics, and plastic products.*

Id. at 16625 (emphasis provided). Thus, while the proposed rule defines lubricants, and contemplates the import and export of petroleum products as a source category, the proposed rule explicitly excludes lubricants from the definition of petroleum product for the purposes of importing and exporting activities. We understand this to mean that the import and export of lubricants (unlike the manufacture of lubricant base oils through the refining process) is *not* part of the Petroleum Product Suppliers source category and thus not independently subject to any reporting responsibility under the proposed GHG rule.

ILMA concurs with the definitions prepared by EPA, as well as the implicit policy decision in the proposed rule to exclude the manufacture of lubricant products from purchased lubricant base oils, such as metalworking fluids, motor oils and hydraulic oils from the reporting requirements under the proposed GHG rule. Indeed the preamble explains: “A comprehensive and rigorous

system for tracking the fate of non-energy petroleum products and their various end uses is beyond the scope of this rule, and would require a much more burdensome reporting obligation for petroleum product suppliers.” *Id.* at 16573. Though the preamble also contemplates the potential need to address non-emissive uses of petroleum products as part of future policy making, we question whether such action would be warranted (at least from the perspective of the types of products created by the independent lubricant manufacturing industry). First, given that ILMA members merely blend and/or compound refined petroleum with additives to make a lubricant, the quantity and impact of lubricants appears to be adequately covered by the reporting of the initial refiners of the base oil used downstream by lubricant blenders/formulators. Second, the very purpose of lubricants is to reduce friction in mechanical operations; they are not designed to be “consumed” like fuels.

To illustrate, consider how motor oil is used in a typical passenger car. Most passenger cars contain between four and six quarts (1 to 1.5 gallons) of oil in the crankcase. The oil typically has a usable life of three to six months. Assuming that in the three months between oil changes a car consumes 20 gallons of fuel per week, approximately 260 gallons of fuel will be consumed in the aggregate during the three months. When motor oil is changed the vast majority of the used oil (at least 80% and close to 100% for late model passenger cars) is recovered. Of the motor oil that is not recovered during an oil change, some is retained within the engine and some is likely burned with the fuel in older, high-mileage vehicles as combustion blow-by; however, the amount burned and contributing to GHG is *de minimis* relative to fuel.

Thus, in addition to resonating with the independent lubricant manufacturing industry’s conceptualization of how lubricants are designed and used, EPA’s treatment of lubricants in the proposed rulemaking is also consistent with the Agency’s goal of reducing the burden of the proposed rule on small business, and to focusing on consolidated large emitters of greenhouse gases.

Conclusion

ILMA appreciates the opportunity to submit the foregoing comments, and the Association is, of course, available to answer any questions its comments may have raised.

Sincerely,



Celeste M. Powers, CAE
Executive Director

cc: ILMA Safety, Health, Environmental and Regulatory Affairs Committee
Jeffrey L. Leiter, Esq.
Adam B. Cramer, Esq.